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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding  
Policies, Procedures and Rules for  
Development of Distribution Resources  
Plans Pursuant to Public Utilities Code  
Section 769

Rulemaking 14-08-013  
(Filed August 14, 2014)

**REPLY OF OLIVINE, INC TO ORDER INSTITUTING RULEMAKING RESPONSES**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
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## **I. Introduction**

Olivine appreciates the opportunity to participate in this proceeding. It is Olivine's mission to reduce the impact on the environment through enablement of sustainable distributed energy resources and as such we see this rulemaking as critical to reaching that goal for all of California. Although the breadth is significant and the issues complex, to meet the terms of Public Utility Code Section 79 as required by AB327 it is imperative that the items identified are dealt with constructively. The 'More Than Smart' paper as provided in this rulemaking and presented at the workshop by Paul DeMartini provide a beginning framework to use to constructively create the future vision. Olivine submits the following reply comments based on responses provided on questions posed in Section 3.1 of the Order Instituting Rulemaking published on August 20, 2014. We submit the reply in accordance with Rule 14.3 of the commission's Rules of Practice and Procedure.

## **II. Coordination**

Given the magnitude of the changes that California is in the midst of along with the complexities involved, Olivine echoes the concerns of others (such as the Joint DR parties) that the interactions between this and other proceedings be carefully considered and coordinated to the extent possible. We appreciate the Commission's efforts to make this proceeding as open and collaborative as possible increasing the participation of interested parties supporting the cross-pollination of ideas, concepts and to develop solutions.

Participating in the workshop from a Demand Response resource perspective, of critical importance were the discussions about the clear need to value DERs differently, looking at a variety of value streams for the grid as a whole and not exclusive to either the transmission or distribution systems. Despite an overall awareness of the broader benefits, we were discussing the issues by resource type, essentially including Demand Response as a "type". The challenge in any significant change process is to be open-minded and resisting the urge to stay with the status quo. When it comes to Demand Response, our thoughts are changing significantly. In

broad terms we see demand response as a service being provided by DERs who can meet resource characteristics.

Olivine is currently providing demand response to the CAISO markets. This demand response is provided by a variety of resources beyond conventional load curtailment and cycling, but inclusive of other technologies including energy storage either by deferring charge cycles or to actually discharge. In addition, many technologies can effectively shift energy usage – again Demand Response – by consuming more energy to offset over-supply conditions. Demand Response is not a different type of resource than storage. It is a capability that can be provided by different resources, or a combination of resources that provide value beyond traditional resources whose only function is to supply electrons for the grid.

Olivine urges the Commission and other parties in the proceeding to challenge the silos that we place upon our own thinking in order to create a vision of the distribution grid that will provide a flexible, cost-effective service through the collaborative effort of UDCs, third parties, various DERs and the end use customer.

### **III. Synchronization between Transmission and Distribution**

Integration of DERs is a small but growing market. Given the trajectory towards integration of these resources, distribution resource plans must account for the growing percentage of DERs owned and operated by third-parties concurrently providing both retail and wholesale service.

DERs that can provide both transitional and distribution benefits need to be accounted for and prioritized. As other parties such as NRG, NRDC, NCE, IREC, EDF and AReM have suggested, it is imperative that there be a system for communicating locations of priority for DER deployments. DER developers do not have visibility into distribution system needs. In the absence of a system of prioritization and communication of needs, technology is continuing to advance and installations continue to be sited without the benefit of a system that would

incentive the installation of DERs in identified locations where they may provide the most value and play a key role in mitigating a wider spectrum of operational needs.

We believe it is critical to coordinate both distribution and transmission functions that DERs could serve. Based on current experience with barriers for Demand Response and Storage where Sub-LAP locations are critical to participation in the CAISO markets, a lack of consistency creates significant confusion, misaligned priorities and unnecessary cost. As has also been suggested by other parties, transparent price signals for both distribution and transmission are imperative. Since many issues have already been addressed for the transmission side, identifying lessons learned or solutions that may be able to be leveraged for the distribution side reduce effort and provide for synchronization.

#### **IV. Interconnection Process and Agreements**

While we regularly refer to the Interconnection process, it is in actuality several processes, designed for large central station installation with a long lead time. Smaller resources that are not as capital intensive do not have the same financing timelines that align with the current interconnection process. While this issue has been acknowledged in a variety of forums, the understanding of the differences among the interconnection processes is not well understood. The nature of the multiple uses for DERs increases the potential complexities. Existing agreements and underlying processes were not written with DERs in mind and are particularly prohibitive for an aggregation where an agreement may be required for each sub-resource. Changes to the interconnection process and new contracts or agreements between developers and buyers need to acknowledge the nature of these multiples uses and behind-the-meter primary use. Innovative thinking is required to address metering and energy settlement issues for DERs that provide value in both the distribution and transmission environments.

## V. Conclusion

Olivine appreciates the opportunity to participate and is especially gratified to see such a broad stakeholder engagement. Such a broad stakeholder group can be challenging, however we are encouraged by the level of participation representative of the future vision for DERs. Many of the issues, such as the need for a methodology for evaluation and prioritization, have already been identified by a number of parties. While we do not see it as necessary to reiterate most of the points already made, Olivine intends to participate actively in this important proceeding and asks that all parties consider their thoughts around resource characteristics versus services that can be provided to serve the needs of the distribution grid and achieve our future vision for DERs.

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